



## **CORPORATE GOVERNANCE GUIDELINES**

The Board of Directors (the “Board of Directors” or the “Board”) of NACCO Industries, Inc. (the “Company”) has adopted these Corporate Governance Guidelines (the “Guidelines”) to assist the Board of Directors in the exercise of its duties and responsibilities and to serve the best interests of the Company and its stockholders. The Guidelines should be applied in a manner consistent with all applicable laws, regulations and listing requirements, as well as the Company’s Certificate of Incorporation and By-Laws. These Guidelines provide a framework for the conduct of the Board of Directors’ business.

### **Responsibilities of the Board of Directors**

The Board of Directors, acting directly or through duly constituted committees, should endeavor to fulfill the following responsibilities to the Company and its stockholders.

1. Oversee the conduct of the Company’s business and evaluate whether the business is being properly managed;
2. Review, approve and monitor fundamental business and financial strategies and major corporate actions;
3. Oversee processes designed to ensure the accuracy and completeness of the Company’s financial statements;
4. Monitor the effectiveness of the Company’s internal controls;
5. Assess major risks facing the Company, review options for addressing such risks and oversee all Company risk management procedures, including operational and strategic;
6. Ensure processes are in place for maintaining the integrity of the Company, including the integrity of its financial statements, the integrity of the Company’s compliance with law and ethics, and the integrity of its relationships with its stakeholders;
7. Evaluate and authorize compensation of the Company’s Chief Executive Officer (“CEO”) and review and approve the succession planning of the Company’s CEO; and
8. Oversee the selection, evaluation, development, compensation and succession planning of the Company’s senior managers.

## **Director Qualifications**

***Independence.*** The Board of Directors will be comprised of at least a majority of independent directors. For purposes of these Guidelines, the term “independent” shall be interpreted by the Board of Directors to meet or exceed the independence standards of the New York Stock Exchange and any applicable laws, rules and regulations. The Board of Directors shall undertake an annual review of the independence of each director. Directors have an affirmative obligation to inform the Board of Directors of any material changes in their circumstances or relationships that may impact their designation by the Board of Directors as independent.

***Director Qualifications.*** As a general matter, the Company seeks directors who will represent the best long-term interests of the Company’s stockholders. Directors should possess the highest personal and professional ethics, integrity and values, and be committed to representing the long-term interests of the stockholders. Additional factors to be considered include judgment, skill, independence, possible conflicts of interest, experience with businesses and other organizations of comparable size or character, the interplay of the candidate’s experience and approach to addressing business issues with the experience and approach of incumbent directors and other new director candidates. The Company’s goal in selecting directors for nomination to the Board of Directors is generally to seek a well-balanced membership that combines a diversity of experience, skill and intellect in order to enable the Company to pursue its strategic objectives. The Board of Directors does not believe that arbitrary term limits on directors’ service or retirement ages are appropriate or in the best interests of the Company, nor does it believe that directors should automatically expect to be renominated annually. The performance of each director is evaluated annually by the Nominating and Corporate Governance Committee.

***Confidentiality.*** The proceedings and deliberations of the Board and its committees are confidential. Each director will maintain the confidentiality of information received in connection with his or her service as a director.

***CEO Service on Other Boards.*** The Company encourages its CEO to serve on additional company boards which are likely to add perspective and experience highly valuable to the CEO in providing services to the Company, provided that the time commitment for such service on other company boards is reasonable and appropriate, as approved in each instance by the Nominating and Corporate Governance Committee.

## **Board Leadership Structure**

***Positions of Chair and CEO.*** From time to time, the Board will decide, in its business judgment, whether to have the same person occupy the offices of Chair and CEO after considering relevant factors, including the specific needs of the business and the best interests of the Company and its stockholders. The independent directors should periodically review, including in connection with the selection of a new CEO, the Board’s leadership structure and consider whether the position of the Chair should be held by the CEO or another director.

## **Board Meetings**

***Number of Meetings.*** The Board of Directors of the Company meets at four regularly scheduled meetings each year. In addition, the Board of Directors of the Company’s principal

subsidiary, of which each of the directors of the Company is a member, meets at four regularly scheduled meetings each year. The Boards of Directors of the Company and its subsidiary also meet on other occasions in person or by electronic means at additional special meetings as needed.

***Meetings of the Non-Management and Independent Directors.*** In accordance with the rules of the New York Stock Exchange, the Company holds at least one meeting of the non-management directors each year, which is presided over by the Chairman of the Compensation and Human Capital Committee. In addition to such meeting, additional meetings of the non-management directors will be scheduled from time to time when the non-management directors believe such meetings are desirable. The determination of the director who should preside at such meetings will be made based upon the principal subject matter to be discussed at the meeting. If the Company has non-management directors who are not independent, at least once a year the independent directors will meet in executive session without members of management or non-independent directors present.

***Agenda and Meeting Materials.*** Meeting agendas and other information and materials that are important to the directors' understanding of the business to be conducted at Board of Directors and committee meetings or that will facilitate the Board's or a committee's discussion generally will be distributed in advance of those meetings. Directors are expected to review these materials in preparation for the meeting. The Board of Directors understands that certain items to be discussed at Board of Directors or committee meetings may be extremely confidential or time-sensitive and that distribution of materials relating to these matters prior to meetings may not be appropriate or practicable. The Chair will establish the agenda for each Board meeting. Any director may suggest items for inclusion on the agenda.

***Meeting Attendance.*** Absent an appropriate excuse, attendance is expected for the full length of the meeting by all directors at the Company's Annual Meeting of Stockholders, at all meetings of the Board of Directors of the Company and of its principal subsidiary, and at all meetings of each committee of which a director is a member.

## **Board Committees**

The purpose of the committees of the Board of Directors is to help the Board of Directors to fulfill its responsibilities effectively and efficiently, although the committees do not displace the oversight responsibilities of the Board as a whole.

The Board has established five standing committees of the Board, each of which has the responsibilities set forth in its respective Charter. Each of the Committees will also discharge any other duties and responsibilities delegated by the Board to the applicable Committee from time to time. The five standing committees are:

1. ***Audit Review Committee.***
2. ***Nominating and Corporate Governance Committee.***
3. ***Compensation and Human Capital Committee.***
4. ***Finance Committee.***

## 5. *Executive Committee.*

### **Director Compensation**

The Compensation and Human Capital Committee will annually review director compensation, and will make recommendations to the Board of Directors. Director compensation may be paid in cash and equity interests in the Company, and may consist of annual retainers, meeting fees and such other components as appropriate. Separate compensation may be provided to members and chairpersons of committees of the Board. In making its recommendations, the Compensation and Human Capital Committee will consider such factors as the Compensation and Human Capital Committee deems appropriate.

Directors who are also employees of the Company shall not receive any additional compensation for their service as directors.

### **Director Orientation and Continuing Education**

The Secretary of the Company will arrange for new directors to meet with senior managers of the Company in order for the new director to become familiar with the Company's strategic plans, financial statements, and key policies and practices. This orientation should begin as soon as practicable after the new director is elected, and should be completed within one year after the new director joins the Board. From time to time, the Company will provide to directors presentations from Company and/or third party experts on topics that will assist the directors in carrying out their responsibilities and that will enhance the directors' understanding of changes in the regulatory environment. In addition, once each year on average, the Board of Directors may visit a facility of one of its operating companies.

### **Director Access to Management and Independent Advisors**

Directors have full and free access to officers and employees of the Company and its subsidiary. Any meetings or contacts that a director wishes to initiate with officers or employees may be arranged through the CEO or Secretary, or directly by the director. The Company will, on a regular basis, provide specific opportunities for this type of interaction.

The Board of Directors or any committee may retain and terminate such independent advisors, including attorneys, accountants, investment bankers and other consultants, as it deems necessary or appropriate to the performance of its duties from time to time. The Board of Directors or committee, as appropriate, will have the sole authority to approve the fees and other retention terms of such independent advisors.

### **Board Interaction with Investors, Media and Others**

The Board believes that communication and engagement with the Company's stockholders and other interested parties is an essential component of the Company's corporate governance practices. The Board believes that the Chairman, the CEO and senior managers designated by the Chairman or CEO speak for the Company. Directors may, from time to time, meet or otherwise

communicate with various constituencies that are involved with the Company, but it is expected that directors would do so with the knowledge of the Chair and the CEO and, in most instances, at the request of the Chair or the CEO.

### **Management Succession**

The Board of Directors will annually review the report of the Compensation and Human Capital Committee concerning the performance of the CEO of the Company. The Board of Directors will also annually review the report of management or the applicable designated committee regarding the succession plan for the CEO of the Company. Succession planning should include policies and principles for CEO selection and performance review, as well as policies regarding succession in the event that the CEO retires, resigns or is incapacitated.

### **Annual Performance Evaluation of the Board**

The Board of Directors will annually review the report of the Nominating and Corporate Governance Committee concerning the performance of the Board and its members. Such review will include an assessment of the Board's composition and independence, the effectiveness of the Board committees, the maintenance and implementation of these Guidelines and such other matters as the directors may determine. At least annually, the Board of Directors will conduct a self-evaluation to determine whether the Board of Directors and its committees are functioning effectively.

### **Effect of Guidelines**

These Guidelines are intended as one of the components of the flexible framework within which the Board of Directors and its committees direct and oversee the affairs of the Company. While these Guidelines should be interpreted in the context of applicable laws, regulations and listing requirements, as well as in the context of the Company's Certificate of Incorporation and By-Laws, they are not intended to establish by their own force any legally binding obligations.

### **Amendment of Guidelines**

The Board may amend, modify or make exceptions to these Guidelines from time to time in its discretion and consistent with its duties and responsibilities to the Company and its stockholders.

### **Disclosure of Guidelines**

Consistent with New York Stock Exchange listing requirements, these Guidelines are included on the Company's website and are available upon request in writing sent to the Secretary of the Company. The Company's annual report to stockholders states that these Guidelines are available on the Company's website and are available, without charge, upon request in writing sent to the Secretary of the Company.

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